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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 05/10/07

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule

North Korea problem:

- 4) Government considering full ban of exports to North Korea as additional sanction measure
- 5) Foreign Minister Aso hints at additional sanction measures on North Korea, but rest of government is reluctant to do so

Defense and security issues:

- 6) Defense Minister Kyuma will not budge in his call for easing weapons' export restrictions, despite repercussions in the government
- 7) LDP policy chief Shoichi Nakagawa: OK to ease weapons restrictions if for peaceful purposes
- 8) US considering another brief deployment of F-22s to Kadena Air Base in Okinawa
- 9) Opposition lawmaker pursues Foreign Ministry official in the Diet on globalization of US-Japan alliance, joint cooperation with NATO

Political agenda:

- 10) Clash building in the Diet between ruling and opposition camps over key bills and counterproposals
- 11) Prime Minister Abe orders complete review of independent public corporations
- 12) Prime Minister's private secretary sues Asahi for article in its weekly magazine linking him to gangsters

Yamasaki in action:

13) LDP's Taku Yamasaki criticizes Abe for making constitutional reform a campaign issue

14) Taku Yamasaki met with senior North Korean diplomat while in Beijing recently

15) China overtakes Japan in international competitiveness: Japan now 24th, China 15th

16) US likely to press Japan to ease import restriction on US beef with new scientific conclusion that tested young cows suspected of BSE were free of disease

17) Global warming: Government plans new framework to assist small companies to conserve energy, help big companies to buy emission rights

Articles:

1) TOP HEADLINES

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Toyota Motor's operating profits tops 2 trillion yen in term ended March 2007, ranking first in effect: 200% increase over five years

Mainichi:

Government to further cut number of beds for elderly patients with chronic disease planned for reduction

Yomiuri:

Government, ruling camp plan to dispatch doctors from hub-hospitals to local hospitals to address shortage of doctors

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Nihon Keizai:

Global warming gas emissions cut: Government to set framework to helping with energy conservation investment by small and medium-size companies: Leading companies to purchase emissions rights

Akahata:

LDP, New Komeito aiming at voting on bill for procedures to revise Constitution: No central public hearings held

2) EDITORIALS

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(1) Agricultural reform: Make use of proposals made by private-sector members of Council on Economic and Fiscal Policy
(2) Visions for medical services: General practitioners should be available on holidays and at nights

Mainichi:

(1) Participation of victims of crimes in trials: System should be introduced after thorough discussion
(2) Regional financial institutions hold the key to buoying up local economies

Yomiuri:

(1) Three secretaries to the prime minister file complaint seeking damage compensation over Asahi Shimbun's report on possible relationship between Prime Minister Abe and Suishin-kai, an affiliate of Yamaguchi-gumi criminal syndicate: Newspaper ads, hanging ads in commuter train equally guilty
(2) Indictment over Nagasaki incident: Aim at rooting out violence targeting administrators

Nihon Keizai:

(1) The world's top automaker Toyota Motor's next challenge
(2) Small step toward privatization of public employment service agencies

Sankei:

(1) Prime minister's offering to Yasukuni Shrine is not an issue to make a fuss over

(2) Epidemic of measles: Prevent spread of infection with vaccination

Tokyo Shimbun:

- (1) Epidemic of measles: Are you immune against it?
- (2) Iraqi situation: Use framework for stabilization

Akahata:

(1) Social Insurance Agency reform bill: Leaving operations to private sector will accelerate distrust in pension system

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, May 9

NIHON KEIZAI (Page 2) (Full)
May 10, 2007

08:46

Met at Deputy Chief Cabinet Secretary Suzuki at the Kantei.

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09:22

Met Hokkaido Governor Takahashi. Followed by Internal Affairs and Communications Minister Suga.

10:01

Attended an Upper House plenary session.

11:12

Met Foreign Vice Minister Yachi at the Kantei. Later, met former Defense Agency Director General Ono, former Science and Technology Minister Matsuda, and former Justice Minister Sugiura.

12;)7

Met Cabinet Office Special Advisor Kurokawa.

14:00

Met Lower House member Taro Nakayama. Followed by Deputy Chief Cabinet Secretary Matoba. Later, met Foreign Ministry North American Affairs Bureau Director General Nishinomiya and Defense Ministry Defense Policy Bureau Director General Ofuru.

15:02

Met Special Advisor Koike.

16:00

Met Environment Vice Minister Tamura. Posed for a photo for "cool biz" PR. Joined by Special Advisor Seko. Later, met Finance Minister Omi and Vice Minister of Finance for International Affairs Watanabe.

17:31

Attended a Council on Economic and Fiscal Policy meeting.

20:07

Dined with Central Education Council outgoing and incoming chairman Masakazu Yamazaki and Yasuhiko Torii, Education Minister Ibuki, and Chief Cabinet Secretary Shiozaki at a Japanese restaurant in the Hotel New Otani.

22:02

Returned to his official residence.

4) Japan mulls total DPRK export ban as additional sanction

YOMIURI (Page 1) (Full)
May 10, 2007

The Japanese government is considering imposing a new set of sanctions against North Korea if that country continues to fail to implement the initial-stage action, including the shutdown of its nuclear facility in Yongbyon, as promised at a six-party talks (in February), government sources said yesterday. Sanctions being

considered include (1) a shift from the current ban on exports of luxury items and items related to weapons of mass destruction to North Korea to a total export ban; (2) tougher controls on ships by prohibiting any foreign vessels in addition to North Korean-registered ships from entering Japanese ports if they have been to any North Korea port before arriving here; and (3) widening the ban on fund transfers, which is currently applied to one person and 15 organizations. Japan intends to make a final decision on whether to impose additional sanctions in watching North Korea's

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moves from now on, as well as consulting with concerned countries.

These measures are all intended to strengthen the sanctions currently taken independently by Japan in response to the North's missile and nuclear tests conducted last year.

At a meeting yesterday of the Lower House Committee on Foreign Affairs, Foreign Minister Aso in this regard stressed that the government was considering further sanctions. Aso said: "We will wait a week or so (to watch North Korea's moves)." Prime Minister Abe late yesterday told reporters; "If North Korea doesn't act on the issue, we should discuss it with other concerned countries, including the United States. We have a limit to our patience."

China and South Korea, however, are expected to oppose tougher sanctions, and some officials in the US are reportedly cautious about such sanctions.

5) Foreign Minister Aso hints at additional sanctions against DPRK despite deep-seated cautious view in government

NIHON KEIZAI (Page 2) (Full)
May 10, 2007

North Korea has yet to implement the first-stage action as agreed on in the six-party talks, including shutting down and sealing a nuclear facility, citing as the reason its still frozen funds at Banco Delta Asia (BDA) in Macao. Faced with this situation, some in the Japanese government are beginning to insist on the need to impose further sanctions on the North as quickly as possible. But many in the government take the view that it is difficult for Japan to independently impose more sanctions on the North because other member nations of the six-party talks are very cautious about additional sanctions.

At a session yesterday of the Lower House Committee on Foreign Affairs, Foreign Minister Taro Aso implied the possibility of imposing additional sanctions by saying: "We must raise the level of pressure if the North fails to take action even after (the BDA problem is resolved) and its funds are sent to it." Aso also made clear his intention to consult with concerned countries how to deal with the North if there is no sign that it will move to implement the (first-stage action) one week from now.

These tough remarks are apparently backed by President Bush's commitment made during the recent Japan-US summit, "We are capable of imposing further sanctions." Additional sanctions the Japanese government is supposed to take independently include: (1) a ban on any ship that calls at a North Korean port before arriving in Japan and (2) a total ban on exports.

The tide of opinion in the government is, however, cautious about additional sanctions. Prime Minister Shinzo Abe, when asked by reporters about the question of additional sanctions late yesterday, went no further than to say: "We must consider various approaches, while fully consulting with every concerned country." Even in the Foreign Ministry, "It's not time for us to be able to play a 'sanction card' effectively," a senior ministry official said, echoing the views of many others.

6) Kyuma's call for eased arms-export rules creates sensation; Kantei trying to calm storm, Kyuma stands firm

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There is now a visible gap between Defense Minister Fumio Kyuma, who has called for easing the three arms-export restrictions, and Prime Minister Shinzo Abe and Chief Cabinet Secretary Yasuhisa Shiozaki, who are desperate to minimize the impact of the defense chief's remarks. Although the Prime Minister's Official Residence (Kantei) apparently does not want another source of domestic contention with the Upper House election coming up in July, Kyuma has not shown any signs of budging in his view. Debate on this issue in the government and the ruling coalition is likely to grow even more.

"The concept of weaponry is broad, and protective gear and the like are also handled as if they were weapons. (Unless the three rules are relaxed), we won't be able to conduct research and development in the defense area, and as a result, we will have to buy high-price products." Before the Upper House Foreign Affairs and Defense Committee on May 8, Kyuma reiterated the need to relax the three principles -- his stock argument -- from the standpoint of promoting international joint development. Kyuma had proposed the idea in a speech during his recent visit to the United States.

Kyuma's call comes from the perception that the joint research, development, and production of military equipment, including fighters, are a major trend in Western countries in order to reduce costs. Some Liberal Democratic Party lawmakers, mostly defense policy experts, back Kyuma's call, with one former defense chief saying, "Amid growing calls for defense spending cuts, it is natural for a lawmaker to raise this question." Kyuma apparently is aware of his supporters in the party.

Meanwhile, Chief Cabinet Secretary Shiozaki indicated in a press conference on May 7 that the government has no intention of expediting a review, saying: "The government will continue dealing with the matter cautiously by seriously considering the country's basic vision as a peace-oriented country." Prime Minister Abe also indicated to reporters on the same day that the government would continue studying the matter carefully.

The Kantei is keeping a watchful eye on Kyuma's comments so as not to irritate the New Komeito, the LDP's junior partner, which has been alarmed by hawkish overtones in the Abe administration.

New Komeito Secretary General Kazuo Kitagawa took this view in a press conference yesterday: "Keeping the three principles is the government's traditional view. We don't see any need to relax them." A senior Upper House LDP lawmaker also noted: "We mustn't raise contentious matters before the Upper House election."

7) LDP policy chief Nakagawa calls for relaxed arms rules only for peaceful purposes

Liberal Democratic Party Policy Research Council Chairman Shoichi Nakagawa indicated in a speech yesterday that the government should consider relaxing the three arms export rules strictly for peaceful purposes. He said: "Prohibiting exports for even peace building does not fit the times," adding, "Eliminating antipersonnel mines is

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allowed but not anti-tank mines. I don't understand the distinction."

Meanwhile, New Komeito Secretary General Kazuo Kitagawa in a press conference yesterday took a negative view on Defense Minister Kyuma's call for relaxed three arms rules, saying: "That is the government's traditional view. I don't see any need to ease them."

8) Japan, US considering redeploying F-22s to Japan before year's end

The governments of Japan and the United States will study the possibility of redeploying F-22A Raptor fighter jets, which have temporarily been deployed at Kadena Air Base in Okinawa since February, in Japan before the end of the year, according to government sources yesterday. The two governments have recognized the need to remain on high alert due to the North Korea situation and other factors. The Foreign Ministry announced yesterday: "We have received a notice from Washington that it would terminate the temporary deployment of F-22s and that they will depart for the United States at around 3:00 a.m. May 10." It was Washington's initial plan to deploy the F-22s to Kadena for about three months. The US government will recall them for the time being.

9) Lawmaker Kasai pursues Foreign Ministry in Lower House committee on cooperation with NATO, mentioned for the first time in joint statement on Japan-US security cooperation; Criticizes bilateral alliance taking on global scope

AKAHATA (Page 5) (Excerpt)
May 10, 2007

Shinichi Nishimiya, director general of the Foreign Ministry's North America Bureau, revealed in the Lower House Foreign Affairs Committee yesterday that the joint statement of Japan-US Security Consultative Committee (2-plus-2) (May 1) mentioned for the first time in a joint Japan-US statement "cooperation with NATO." Japanese Communist Party lawmaker Toru Kasai criticized this, saying: "The Japan-US alliance has taken on a global scope, moving toward joint cooperation with NATO."

Nishimiya in his reply said: "Compared to past joint statements between Japan and the US, this is the first time for this to be mentioned." The statement also characterized the relationship between the Japan-US alliance and NATO as complementary. Foreign Minister Aso stated, "There are specific examples like these," citing such activities as fueling ships in the Indian Ocean.

10) Fierce battle between the ruling and opposition parties at final stage of current Diet session; Ruling camp prioritizes passing of bills, opposition to submit counterproposals

YOMIURI (Page 4) (Excerpts)
May 10, 2007

A fierce tug-of-war is now occurring between the ruling and opposition camps in the final stage of the current session of the Diet. The government and ruling parties wish to pass important bills through the Diet during the ongoing session in order to gain an edge

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on the opposition in the campaigning for the July House of Councillors election. The opposition camp, however, intends to submit counterproposals and call for thorough deliberations. Maneuvering between the two sides is intensifying.

In a meeting yesterday of the Diet affairs committee chairmen of the ruling and opposition parties, Minshuto (Democratic Party of Japan) Diet Affairs Committee Chairman Yoshiaki Takagi blasted the ruling camp's Diet management, saying, "(The ruling coalition's) bulldozing bills are too much to tolerate."

In the meeting, the opposition demanded that intensive debate on the issue of "politics and money" be conducted at the House of Representatives Budget Committee and that party-heads debate be held at least once in both houses of the Diet. The ruling coalition accepted the request to hold intensive deliberations and indicated that they will respond to another request to hold debate among party heads in a positive manner. With the July Upper House drawing closer, it is difficult to extend the current session. In a bid to pass key bills through the Diet, the ruling bloc asked the opposition to allow senior vice ministers answer questions instead of cabinet ministers, as well as to hold deliberations at the committees in addition to regular deliberations.

The opposition camp plans to bring up again the issue of office expenditures of the political fund management organization of Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka and seek his accountability for the matter. The ruling parties have agreed to revise the Political Funds Control law to require political fund management organizations to attach to fund reports receipts for expenditures of 50,000 yen or more for operating expenses (excluding labor costs), and prohibit real property holding. However, the opposition has criticized the bill for "insufficient." Although the main opposition party Minshuto (Democratic Party of Japan) has its president Ichiro Ozawa's fund management organization's property holding issue, it intends to pursue the ruling coalition over issues involving money and politics until the end of the session.

11) Prime minister orders full review of independent public corporations

YOMIURI (Page 1) (Excerpts)
May 10, 2007

Prime Minister Abe instructed the Council on Economic and Fiscal Policy in a meeting yesterday that the 101 independent public corporations (dokuritsu gyousei houjin) and their business operations should be receive a full review, with the idea of their privatization or abolishment in mind. State Minister in Charge of Administrative Reform Watanabe and Minister of Internal Affairs and Communications Suga will draw up a reorganization and rationalization plan by the end of this year. However, independent public corporations offer plum jobs to retiring officials, so objections are likely to come from government offices.

Private-sector members of the council, including Nihon Keidanren (Japan Business Federation) Chairman Fujio Mitarai, proposed the reform plan for independent public corporations. Prime Minister Abe said: "I want you to carry out a full-scale review as the first step in the process of reforming the government's functions."

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The proposal is based on this judgment: "Since independent public corporations have become nesting grounds for retired bureaucrats and bid-rigging schemes, it is necessary to carry out reform, including such options as role-sharing with the government, and privatization of their business operations."

12) Prime Minister Abe's private secretary and others file lawsuit against Asahi Shimbun for defamation of character

SANKEI (Page 5) (Excerpts)
May 10, 2007

Three persons, including a policy secretary to Prime Minister Shinzo Abe, yesterday filed a lawsuit with Tokyo District Court against the editor-in-chief of the weekly magazine Shukan Asahi and a reporter of the Asahi Shimbun, which publishes the journal. The three complaints have called for an apology advertisement and damage compensation of 51.59 million yen.

The three in the lawsuit say that the Weekly Asahi's article and advertisement carried by the Asahi Shimbun gave the public the impression that secretaries of the Abe office had been threatened by the suspect in case of the shooting of the Nagasaki mayor and that this extremely damaged their social reputation.

The article and advertisement in question was carried in the May 4-11 issue. In response to the complaint by the prime minister's secretaries, the Asahi Shimbun and the Weekly Asahi carried an

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apology advertisement, but the lawsuit points out: "The advertisement again gave readers the impression that was completely different from the facts and damaged the plaintiffs' reputations."

Weekly Asahi's article and apology advertisement

SANKEI (Page 5) (Full)
May 10, 2007

The Weekly Asahi carried the article titled "senior police officer admits plainly 'relationship' between the gangster organization Yamaguchi-gumi affiliated Suishinkai and Prime Minister Abe" in its May 4-11 issue. The article wrote that as the testimony by the senior police officer the Tokyo Metropolitan had been consulted by Prime Minister Abe's side that a former secretary was being threatened by right-wing members and gangsters. As result of the investigation, the police specified Suishinkai's involvement. Since the suspect of the Nagasaki mayor's assassination incident belongs to Suishinkai, the Asahi Shimbun carried in its April 24 edition the advertisement of the weekly that said that there were "contacts" between the Nagasaki mayor assassination case and Prime Minister Abe's secretary. In response to the complaint by the prime minister, The Asahi Shimbun and Weekly Asahi carried an apology article in its May 18 issue as follows:

The article in question was verified based on the statements of those involved who said that the prime minister's former secretary had been threatened by senior members of the gang organization to which the suspect of the Nagasaki mayor shooting incident belonged.

13) LDP's Taku Yamasaki criticizes Prime Minister Abe: It is premature to make constitutional reform an election campaign issue

ASAHI (Page 4) (Excerpt)

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May 10, 2007

Taku Yamasaki, former secretary general of the Liberal Democratic Party (LDP), in a speech in Fukuoka City, criticized Prime Minister Abe for raising constitutional revision to a campaign issue in the upcoming Upper House election. "Isn't it premature to do so? Even if the national referendum bill is passed, the draft amendments must be deliberated on by the constitutional research panel for three years." He also revealed a sense of alarm about the prime minister's private advisory panel debating the right of collective self-defense, saying, "It will have an impact for sure on the Upper House election."

14) LDP's Yamasaki found to have met in China with senior North Korean Embassy diplomat

YOMIURI (Page 4) (Full)
May 10, 2007

It was learned yesterday that Taku Yamasaki, former vice president of the ruling Liberal Democratic Party (LDP), had met with a senior diplomat of the North Korean Embassy in Beijing when he visited China. Yamasaki, however, has denied the report.

15) Chinese competitiveness tops Japan's in world yearbook

NIHON KEIZAI (Page 5) (Slightly abridged)
May 10, 2007

In the 2007 World Competitive Yearbook, released by IMD, an influential business school in Switzerland, Japan ranks 24th, down from last year's level of being 16th. Meanwhile, China is 15th, up from being 18th, topping Japan for the first time in nine years.

IMD prepares an annual ranking of the competitiveness of 55 economic powers, based on statistics and survey results regarding 323 items in four areas - macro economy, government effectiveness, business effectiveness, and infrastructure.

Japan moved down in all the four areas. In the area of government effectiveness, Japan's ranking dropped from the 26th of last year to 34th, with the 55th ranking in the item "corporate tax rate" and 54th in the "government debts." These items brought down Japan's position. In the macro economy area, as well, Japan, despite the ongoing recovery of its economy, fell from 14th to 22nd, reflecting

decreasing foreign direct investment and other factors. Affected by the low rating of 53rd in the "managers' entrepreneur spirit" item, Japan dropped from 22nd to 27th.

In contrast, China saw its position up in all the four areas. It moved up from 3rd to 2nd in the macro economy area, given its rapid economic growth, and from 17th to 8th regarding government effectiveness. However, China remained low in the ranking about such items as discrimination (53rd), environmental contamination (54th), and fund procurement from banks (54th), showing the challenges facing Chinese economic society.

Eight countries that overtook Japan include such Asian countries as China, Taiwan, Malaysia, as well as European countries, like Germany and Britain. The United States retained top place this year, too. But it fell from 14th to 19th on government effectiveness and from 4th to 6th on business effectiveness.

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16) US may apply pressure on Japan to ease import conditions; MHLW remains cautious

NIHON KEIZAI (Page 5) (Slightly abridged)
May 10, 2007

A research team of the Ministry of Health, Labor and Welfare (MHLW) released a report noting that mice injected with brain tissue extract from 21-month-old and 23-month-old cows that were found to have contracted BSE in 2003 did not get the disease. Based on the cases of these two cattle, Japan has set the condition of importing from the US only beef from cattle 20 months of age or younger, so the US is expected to ratchet up its pressure on Japan to ease the import condition. Meanwhile, the MHLW intends to be cautious about reviewing the condition, including an inspection of the United States safety control system.

Many countries set the age limit of cattle eligible for import at 30 months. But Japan set it at 20 months, given growing concerns about the safety of beef due to the discovery of BSE-infected calves in Japan in 2003.

The Japanese government resumed US beef imports in late July of last year, but the import volume remains only about 10% of that before Japan placed a total ban on imports. The World Organization for Animal Health, known as OIE, is expected to designate the US as allowable to export beef without age limit in late May. Given this, the US has been calling on Japan to ease its import conditions. Japan will shortly carry out inspections of US plants with licenses to ship beef to Japan. Later, the Food Safety Commission is likely to review the import conditions, reflecting a final report to be released by the MHLW study team in late June and the state of recognition by OIE.

Regarding the MHLW study team's report, an official of the Ministry of Agriculture, Forestry and Fisheries commented: "We will take various elements into account in making a judgment on safety. Japan will not immediately ease the age-limit condition."

17) Global warming gas emissions cut: Government to set framework to helping with energy conservation investment by small and medium-size companies: Leading companies to purchase emissions rights

NIHON KEIZAI (Top Play)
May 10, 2007

The government will begin assisting small and medium-size companies in their efforts to conserve energy with the aim of achieving a target for cutting greenhouse gas emissions set under the Kyoto Protocol. The plan is to establish a mechanism of small- and medium companies reducing emissions of global warming gases through the installation of new production equipment and selling reduced portions to leading companies as emissions rights. The government will start an authentication test this summer with a view to introducing the system next spring. The aim is to back small and medium companies, which are lagging in their efforts to deal with

global warming, thereby raising the energy efficiency of Japan's entire industry.

Support for achievement of target for cutting greenhouse gas emissions set under Kyoto Protocol

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An experts study council to be established by the Ministry of Economy, Trade and Industry (METI) on May 15 will work out ways to conduct an authentication test. Steel and electronics manufacturers will also take part in the panel.

The Kyoto Protocol mandates Japan to cut the average global warming gas emissions during a 2008-2012 period by 6% compared with the 1990 level. However, the amount of carbon emissions by Japan in 2005 was up 8% from the base year. It is difficult for it to achieve the target if the situation remains unchanged. As such, it is now imperative to cut emissions of global warming gases by small and medium-size companies, which are lagging behind leading companies in terms of financial power and technology.

Under the new arrangement the government will back leading companies assisting small and medium-size companies in their efforts to renew equipment to cut global warming gas emissions in terms of money and technology. The Kyoto Protocol approves the Clean Development Mechanism (CDM), under which industrialized countries invest in emission reducing projects leading to energy conservation in developing countries, such as China, and regard the amount of emissions reduced that way as their emissions rights. The envisaged system is its domestic version.

Under the new system, small and medium-size companies invest in energy-conservation projects and sell emissions rights gained through such efforts to leading companies. A third-party organization consisting of experts on environmental accounting will assess emission reducing effects and the government will authorize such effects as emissions rights.

Leading companies, which find it difficult to achieve voluntary targets of cutting global warming gas emissions, can include purchased emissions rights as amounts of gases they have reduced.

DONOVAN